

# HIGHER EDUCATION

## **6420 California Postsecondary Education Commission**

The California Postsecondary Education Commission (CPEC) is a statewide postsecondary education coordinating and planning agency. CPEC serves as the principal fiscal and program advisor to the Governor and Legislature on postsecondary educational policy. CPEC's responsibilities include conducting analyses and making recommendations related to long-range planning for public postsecondary education, and analyzing both state policy and programs involving the independent and private proprietary educational sectors.

As part of the 2003-04 proposed budget, the Administration proposes to dramatically reduce the funding available for the California Postsecondary Education Commission by \$1.12 million and 23.5 personnel years, leaving only \$700,000 in operational support, 4.5 positions and \$5.3 million in grant and federal program dollars. The Administration entertained a similar proposal last year which would have essentially eliminated CPEC; however the Legislature denied the Governor's proposal and appropriated \$2.2 million to continue supporting the organization.

## **6440 University of California**

The University of California (UC) was founded in 1868 as a public, state-supported land grant institution and was established constitutionally in 1879 as a public trust to be administered under an independent board, known as the Regents of the University of California. The Board of Regents consists of 20 members appointed by the Governor, one student member appointed by the Board, and seven ex officio members.

The original 1960 Master Plan for Education designates the University of California as the primary state-supported academic agency for research and instruction in the professional fields of law, medicine, dentistry and veterinary medicine. The UC consists of nine campuses--Berkeley, Davis, Irvine, Los Angeles, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz--which offer undergraduate, graduate and professional education. The University of California, San Francisco is solely dedicated to the health sciences, and a tenth campus is currently being planned and constructed outside of Merced in the Central Valley. In addition to its instructional facilities, the University operates teaching hospitals and clinics at the San Francisco and Los Angeles campuses as well as operating the Sacramento, San Diego and Orange county medical facilities.

**Current-Year Reductions**. As part of the mid-year (2002-03) reductions, the Administration proposed reducing General Fund support for the University of California by \$74.3 million specifically targeted at: Academic and Institutional Support (\$20 million); Unused Research Funds (\$18 million); Student Services (\$6.336); AP on-time (\$4 million); Student Outreach (\$3.33 million); Public Service (\$2.5 million); K-12 Internet (\$1.1 million) and an unallocated reduction of \$19 million.

In order to recoup the funds lost through the current year unallocated reduction (\$19 million), the UC Board of Regents voted in December of 2002 to increase student fees by 10 percent annually, or 5 percent for the Spring Term. As is the policy of the Regents, one-third of the new revenue derived from the fee increase will be used to fund financial aid in order to support financially-needy students.

In response to the Administration-proposed reductions, the Legislature has made it clear that it is not supportive of either the reduction to Student Outreach or the full reduction to state-supported research.

**Partnership for Higher Education.** First initiated in 1995 as a “compact” with then Governor Wilson, the Davis Administration’s *Higher Education Partnership Agreement* sought to carry on many of the same principles, including the goal of providing stable funding for public higher education in exchange for the UC and California State University (CSU) commitment to meeting broad accountability goals. Unlike prior Davis Administration budgets which were predicated upon fully-funding the *Higher Education Partnership Agreement* this budget fails to honor that agreement due to the fiscal condition of the State.

While the Partnership Agreement initially promised annual General Fund increases of 5 percent (4 percent base budget increase plus 1 percent for long-term core needs such as maintenance, equipment and libraries), the 2003-04 proposed budget provides the UC with no core Partnership funds. This lack of Partnership support equates to an approximate \$186.5 million loss of expected revenue for the UC. While the lack of funding does not equate to a base budget reduction, the \$186.5 million revenue loss is included in the Administration’s calculation of total budget reductions it proposes for the 2003-04 fiscal year. Further, the loss of Partnership revenue is “real” to the UC, as it relies on this funding source to grow its academic programs and support the student services necessary to accommodate the dramatic spurt in enrollment growth. While the Administration fails to provide Partnership funding, it does fully fund enrollment growth (both in the current year and 2003-04) as well the continuing contractual obligations such as annuitant benefits and debt service.

**2003-04 Proposed Reductions.** In addition to the lack of expected Partnership revenue, for 2003-04, the Administration proposes to continue the current year reductions and increase the amount being reduced (for cuts totaling approximately \$299 million) from the following programs: Academic and Institutional Support (for a total reduction of \$36.5 million); Student Outreach (total reduction of \$33.3 million, which equates to 50 percent of the Student Outreach budget); Research (total reduction of \$28.8 million); Student Services (total reduction of \$25.3 million); and Public Service (mainly Cooperative Extension – for a total reduction of \$15 million).

In addition, the 2003-04 budget proposes to eliminate all but one of the California Subject Matter Projects, a teacher-training-teacher model of professional development, retaining the Science Subject Matter Project which is presently funded with federal dollars. This action will result in a General Fund savings of \$15 million.

The 2003-04 budget contains an additional “unallocated” reduction (total of \$194.8 million) which the Administration believes can be “backfilled” with further student fee increases. (*Note: please see discussion of student fees below.*)

**Enrollment Growth.** The Governor's 2003-04 budget contains \$117.2 million in new funding to support a 4.5 percent increase in student enrollment. This funding covers an additional 8,000 Full Time Equivalent (FTE) students in 2003-04 and 5,000 FTE students for which no support was provided in the current year, bringing total budgeted enrollment (all campuses, including health sciences) to 202,628 FTE students.

**Student Fees.** For the first time in eight years, student fees have been increased (in the current year) at the UC and are proposed to increase further in the 2003-04 budget year. Specifically, student fees were increased by the UC Board of Regents in December by \$135 per quarter in order to provide revenue to "backfill" the unallocated reductions to the UC support budget. This brings the total mandatory systemwide fees at UC to \$3,834 per year. Additional fees which are assessed on students enrolled in graduate-level professional schools (law, medicine, dentistry, optometry, pharmacy, nursing, veterinary medicine, theater/film/TV) were also increased by the UC Board of Regents and are expected to increase by anywhere from \$700 to \$2,000 per year, depending on the course of study. Fees at the UC comparison institutions (the universities of Michigan, Illinois, New York, and Virginia) average \$6,074, which is \$2,057 higher than the fees for UC resident undergraduates. Non-resident tuition, which was increased substantially for 2002-03, is slated to increase by approximately 4 percent for both undergraduate and graduate students.

	<b>University of California Student Fees*</b>			
	<b><i>Undergraduate</i></b>		<b><i>Graduate</i></b>	
	<b><i>Resident</i></b>	<b><i>Nonresident</i></b>	<b><i>Resident</i></b>	<b><i>Nonresident</i></b>
1994-95	\$4,111	\$11,810	\$4,585	\$12,284
1995-96	4,139	11,838	4,635	12,334
1996-97	4,166	12,560	4,667	13,061
1997-98	4,212	13,196	4,722	13,706
1998-99	4,037	13,611	4,638	14,022
1999-00	3,903	14,077	4,578	14,442
2000-01	3,964	14,578	4,747	15,181
2001-02	3,859	14,933	4,914	15,808
2002-03	3,859	15,361	4,914	16,236
2002-03*	4,017	16,396	5,017	16,393
2003-04	5,082	18,562	6,196	18,033

Note: Actual fees may vary by campus depending on the particular level of campus-based fees. Data in the table include an average of the campus-based fees for the nine campuses.

\* Effective January 2003. UC Regents voted in December 2002 to increase student fees due to budget reductions.

**UC Merced.** Despite the poor economic conditions of the state and the lack of available General Fund support, the Governor and the UC continue to strive towards opening the new UC Merced campus to students in the Fall of 2004. To meet this end, the 2003-04 budget proposes to allocate an additional \$11.3 million for start-up costs associated with the Merced campus.

Specifically, the capital outlay portion of the budget in the current year (2002-03) includes \$205.6 million in predominately lease-revenue bond funds for working drawings and construction associated with all phases of site development and infrastructure (specifically related to site grading, drainage, flood control, roadways and utilities) construction of the Science and Engineering Building, the Library/Information Technology Center and the initial classroom and office building. In 2003-04, the Governor's Budget proposes an additional \$16.7 million in primarily General Obligation Bonds to continue Phase 3 of the site development and infrastructure, begin planning the logistical support and service facilities and make improvements and renovations to space at the former Castle Air Force Base which will be used to temporarily house various university functions while the campus is being completed.

**Capital Outlay.** Including the \$16.7 million proposed in the 2003-04 budget for the Merced campus, the budget proposes to fund 37 UC capital projects (17 previously approved projects and 20 new projects) using \$307.5 million in General Obligation Bonds approved by the voters in November of 2002.

## **6600 Hastings College of the Law**

Hastings College of the Law was founded in 1878 by Serranus Clinton Hastings, California's first Chief Justice, and became affiliated with the University of California in the same year. Policy development and oversight for the college is established and carried out by a board of directors, who are appointed by the Governor for 12-year terms. The juris doctorate degree is granted by the Regents of the University of California and signed by both the University of California President and the Dean of Hastings College of Law.

**Current-Year Reductions** As part of the mid-year reductions proposed by the Administration, funding for Hastings College of Law was reduced by \$1 million. For 2003-04, the Administration proposes total reductions of \$4.1 million (from a \$14.4 million base General Fund budget in 2003-04). Unlike reductions proposed for UC and the California State University, the reductions slated for Hastings College of Law are targeted at specific academic functions (rather than leaving the allocation of the reductions up to the Hastings College of Law Board of Directors) and will impact the core educational function of the college. Specifically, the Administration targets the reductions at law library and scholarly journal acquisitions, Moot Court travel costs, and prescribes that the college will replace visiting professors with adjunct professors.

In addition, the Administration anticipates that Hastings will increase student fees (commensurate with the differential fee adopted by the UC Regents for students enrolled in Law programs) and collect an additional \$4.5 million to offset the reductions proposed in the Governor's Budget.

## **6610 California State University**

The California State University (CSU) system is composed of 22 campuses, including 21 university campuses and the California Maritime Academy. Administered and managed by an independent governing board of Trustees, the CSU has achieved a high level of academic excellence through distinguished faculty and high-quality undergraduate- and graduate-level instruction. Each campus in the system is unique, with its own curriculum and character; however, all campuses require a basic "general education" breadth curriculum regardless of the institution or baccalaureate-level major of study. In addition to providing baccalaureate- and masters-level instruction, the CSU trains approximately 60 percent of California's K-12 teachers and administrators, and in limited circumstances, has the ability to jointly offer doctoral-level education with the University of California and private and independent institutions.

**Current-Year Reductions.** As part of the mid-year (2002-03) reductions, the Administration proposed reducing General Fund support for the California State University by \$59.6 million. While the reductions to other higher education institutions were targeted at specific programs, the reduction to the CSU was "unallocated" and as such, the allocation of the cuts was left to the discretion of the CSU Board of Trustees. The Trustees acted to partially address the current-year shortfall by reducing funding for technology equipment, libraries, and scheduled maintenance as well as reducing support for administration, travel and filling only critically-needed staff positions. The remainder of the cuts (approximately \$20 million) are being "backfilled" by an increase in student fees, which was approved by the CSU Board of Trustees in December 2002. (*Note: please see discussion of student fees below.*)

**Partnership for Higher Education.** First initiated in 1995 as a "compact" with then Governor Wilson, the Davis Administration's *Higher Education Partnership Agreement* sought to carry on many of the same principles, including the goal of providing stable funding for public higher education in exchange for the UC and California State University (CSU) commitment to meeting broad accountability goals. Unlike prior Davis Administration budgets which were predicated upon fully-funding the *Higher Education Partnership Agreement* this budget fails to honor that agreement due to the fiscal condition of the State.

While the Partnership Agreement initially promised annual General Fund increases of 5 percent (4 percent base budget increase plus 1 percent for long-term core needs such as maintenance, equipment and libraries), the 2003-04 proposed budget provides the CSU with no core Partnership funds. This lack of Partnership support equates to an approximate \$132.6 million loss of expected revenue for the CSU. While the lack of funding does not equate to a base budget reduction, the \$132.6 million revenue loss is included in the Administration's calculation of total budget reductions it proposes for the 2003-04 fiscal year. Further, the loss of Partnership revenue is "real"

to the CSU, as it relies on this funding source to grow its academic programs and support the student services necessary to accommodate the dramatic spurt in enrollment growth. While the Administration fails to provide Partnership funding, it does fully fund enrollment growth (both in the current year and 2003-04) as well the continuing contractual obligations such as annuitant benefits, debt service and increased PERS costs.

**2003-04 Proposed Reductions.** In addition to the lack of expected Partnership revenue, for 2003-04 the Administration proposes to increase base budget reductions to the CSU to a total of \$324.6 million, and does so by imposing the following targeted reductions: Student Services Funding (\$53.2 million); Academic and Institutional Support (\$58.1 million); Student Outreach (\$12.6 million); Cal Teach (\$2 million); Unallocated Base Budget Reduction (142.8 million); Increase class size (Student-to-Faculty Ratio) (\$53.5 million).

**Enrollment Growth.** The Governor's 2003-04 budget contains \$150.8 million in new funding to support a 5.0 percent increase in student enrollment. This funding covers an additional 16,056 Full Time Equivalent (FTE) students in 2003-04 and 8,000 FTE students for which no support was provided in the current year, bringing total budgeted to 338,872 FTE students.

**Student Fees.** For the first time in eight years, student fees have been increased (in the current year) at the CSU and are proposed to increase further in the 2003-04 budget year. Specifically, student fees were increased by the CSU Board of Trustees in December by \$72 per term in order to provide revenue to "backfill" the unallocated reductions to the CSU support budget. Further fee increases are expected in 2003-04, which would bring the total mandatory systemwide fees at CSU to \$2,466 per year for a full-time undergraduate student and \$1,410 per year for a part-time undergraduate student. Fees at the CSU comparison institutions average \$4,584 which is \$2,118 higher than the fees for CSU resident undergraduates.

**Capital Outlay.** In addition to the \$188 million worth of project being funded in 2003-04 with lease-revenue bond funds, the budget proposes to fund 8 additional CSU capital projects (3 previously approved projects and 5 new projects) using \$192 million in General Obligation Bond funds approved by the voters in November of 2002.

## **6870 California Community Colleges**

The California Community College system (CCC) provides a variety of general and vocational education program at 108 community colleges throughout the state. The CCC offers academic programs that (1) emphasize transfer courses for students continuing their education at CSU, UC or other institutions of higher education, (2) provide vocational training to enhance the education of California's work force, and (3) offer courses to students who need or desire basic education courses. In addition, the CCCs are also charged with administering many of the state's economic development programs.

**Current-Year Reductions.** As part of the mid-year reductions, the Governor proposed reducing funding for the California Community College system by \$288 million. Included in this amount is a \$50.9 million "swap" which would change the funding source for the Extended Opportunity Programs and Special Services (EOPS) from General Fund (Prop. 98) to the Proposition 98

Reversion Account. Also included under this reduction proposal is an ongoing \$80 million cut to the community colleges for alleged concurrent enrollment abuses (involving K-12 students enrolling in unauthorized community college classes).

Both the Assembly and Senate have voted to approve a total of \$174.6 million in mid-year reductions for the community colleges, which include:

- \$129 million in programmatic/categorical program reductions to the community colleges. These reductions were both identified and “approved” by all the various community college constituency groups. Included in the package adopted by the Legislature is a \$12 million augmentation to reduce the impact of the reductions on the Basic Skills program.
- \$33.3 million “swap” which changes a portion of the funding source for the Partnership for Excellence Program - from General Fund (Proposition 98) to Proposition 98 Reversion Account.
- The Legislature denied the Governor’s proposal to cut \$80 million for K-12 concurrent enrollment.

**2003-04 Proposed Reductions.** In the 2003-04 budget year, the Governor proposes to further reduce funding for the California Community Colleges above the amount proposed in the current year. Additional reductions include: \$60.3 million for an across-the-board 7.46 percent reduction to all community college categorical programs and \$211.5 million for reductions targeted at: the Partnership for Excellence; Student Outreach; EOP services; Matriculations; Part-Time Faculty Office Hours; Economic Development; Building Maintenance and Repairs; Instructional Equipment and Library Materials. Additional reductions include a \$3.2 million cut from Student Outreach, which represents 50 percent of the program’s budget; further, the Administration does not provide a COLA to either the community colleges or K-12.

**Enrollment Growth.** The Governor’s 2003-04 budget proposes to provide \$115.7 million to fund a three percent increase in student enrollment growth. While UC and CSU are proposed to be fully-funded for enrollment growth of five and 4.5 percent respectively, for both 2003-04 and 2002-03, community college enrollment funding has continuously failed to keep pace with actual student enrollment, as is evidenced by the over 60,000 full time equivalent students (FTES) currently enrolled on community colleges campuses throughout the state.

**Student Fees.** For 2003-04, the Governor proposes to increase student fees over 100 percent, from \$11 per unit to \$24 per unit, increasing the cost for a full-time student from \$396 per semester to \$864. Although the Governor’s budget states that the fee increase is necessary to “continue providing a quality education and maintain access amidst weak economic conditions”, the \$149 million in revenue which is expected to result from the fee increase does not remain on the campuses but flows back to the General Fund (through a General Fund offset).

At present, approximately 40 percent of community college students are eligible for Board of Governor (BOG) Student Fee Waivers, and the Administration believes that this percent will likely remain constant. However, the Administration also believes that the fee increase will lead a substantial number of students to drop out (or simply fail to enroll). In anticipation of this

attrition, the Governor's Budget cuts core instructional funding for the community colleges by an additional \$215 million.

**Proposition 98 "Split"** The community college share of the Proposition 98 guarantee is slated to decrease substantially from approximately 10.2 percent in the current year (2002-03) to 9.22 percent.

**Capital Outlay.** The Governor's 2003-04 Budget proposal includes \$526 million in General Obligation Bond funds, approved by the voters in November of 2002, for 45 previously approved projects and 52 new projects.

## **7980 Student Aid Commission**

The Student Aid Commission (SAC) administers federal and state student financial aid programs including grants, work study, and loan programs for postsecondary students attending California educational institutions. The SAC provides leadership on financial aid issues and makes policy recommendations concerning student financial aid programs. In addition, the SAC compiles information on student financial aid issues, evaluates financial aid programs compared to the needs of the state's student population and, provides financial aid information to students, parents and California's education community.

**Background.** In 2000 the Legislature passed and the Governor signed into law SB 1644 (Chapter 403, Statutes of 2000) which dramatically expanded the scope of the Cal Grant program and re-tooled the eligibility criteria to ensure that all financially needy and academically meritorious students are guaranteed a grant to attend college. Under the new Cal Grant Entitlement Program all graduating high school students who meet specified grade point average (GPA) and income requirements are guaranteed a state grant for up to four years. Cal Grant awards generally cover the cost of fees at public colleges and are worth up to approximately \$8,000 to \$9,000 at private colleges and universities. In addition, the Cal Grant B, which is provided to students with exceptional financial need, includes a living allowance of approximately \$1,551 per year.

To be eligible for a Cal Grant A award, a student must have a minimum GPA of 3.0 ("B" average) and must not exceed the family income limit, which is approximately \$66,000 for a family of four or \$77,000 for a family of six. Students with GPAs under 3.0, but higher than a 2.0 ("C" average), are eligible for a Cal Grant "B" award provided their annual family income does not exceed \$34,800 for a family of four. In addition, community college students meeting specified GPA and income requirements, who are transferring to a four-year college or university, prior to age 24 years, are also eligible to receive an award. Students who did not qualify for the Cal Grant Entitlement Program (either due to age, GPA or income requirements) have a "second chance" to receive a Cal Grant and are eligible to compete for a bloc of 22,500 annual awards, provided they are now financially and academically eligible. Of the 22,500 awards, 11,250 are reserved specifically for community college students.

**2003-04 Proposed Adjustments.** As part of the Governor's 2003-04 Budget proposal, the Cal Grant A and B programs are slated to increase by approximately \$48.3 million to cover the



proposed student fee increases at public postsecondary institutions. In contrast, the Administration proposes to reduce -- by nine percent -- the maximum Cal Grant award paid to students attending private colleges and universities. At present, the current maximum award is \$9,708, that amount will be decreased to \$8,832 for new Cal Grant recipients electing to attend a private institution.

As part of the Governor's budget reduction measures, the 2003-04 budget proposes to eliminate the California Workstudy Program, reduce the number of Cal Grants for vocational students (Cal Grant C) by 3,040 leaving 7,690 awards available annually, and further reduce the number of Cal Grant T awards for teacher credentialing students by 540 (from 1,390 to 850 awards available annually).

